

Petrochemical price monitor

Chaipat Thanawattano

(66-2) 949-1005

chaipat.thanawattano@scb.co.th

- **Still slow demand for downstream olefins.** Weaker demand for ethylene derivatives pulled ethylene price down 0.2% WoW, mimicking the slip in feedstock cost (naphtha). PE price was flat WoW across the board amidst slower demand and high inventory level in key market in China. We believe lower production rate of PE producers could rebalance the market, which is expected to be tighter in the remainder of the year on greater demand growth than supply additions.
- **PX price sparked by higher PTA.** The PX price decline paused last week, rising 2.6% WoW to US\$1,173/t with spread up 10.6% WoW. We do not expect this to last long, given the influx of new supply. Higher downstream demand will support short-term price rises, but will not change the medium term trend for lower price.
- **PET/PTA spread pulled back after hitting 12-month high.** Integrated PET/PTA spread slid 6.1% WoW to US\$331/t on a WoW rise in PX cost. There was some offset provided by a higher PTA price after some producers cut production rate to reduce inventory. We believe PET/PTA spread will continue to move up on higher demand for PET bottle grade across Asia, raising regional prices before summer.

Investment view: IVL (Neutral, TP: Bt24) share continued to outperform the sector and the SET, up 3.2% WoW and 12% in four weeks, we believe this is due to the better PET/PTA spread (+16.7% QoQ). The near term outlook for PET/PTA spread is good, and the approaching summer could spark PET (bottle grade) price. Our sector pick PTTGC (BUY, TP: Bt92) performed poorly, down 2.1% WoW and 10% YTD. We believe the market is overly concerned about weak aromatics price and spread, mainly PX, which contributes only 16% to 2013 EBITDA. Olefins, 56% of EBITDA, is still in an upcycle and should be able to offset the negative from the aromatics business. Although there remains downside risk to earnings estimate, we believe this is largely priced in.

Figure 1: Petrochemical price update

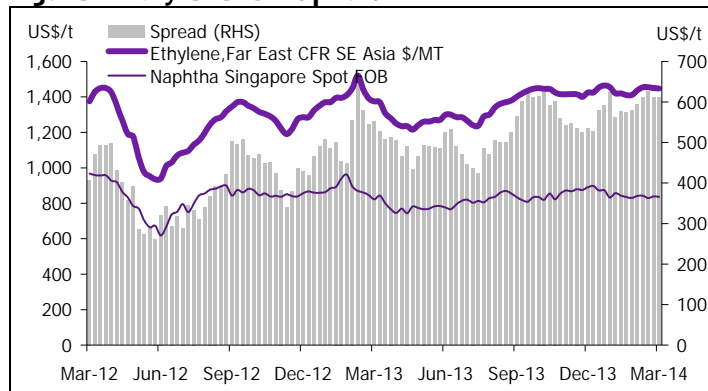
	Current 21-Mar-14	52-week High/Low	-1W	-1M	-3M	-6M	-12M	1Q14 QTD	4Q13	QoQ%	YTD	Chg.	% YoY	2014F projection
Price														
Naphtha Singapore Spot FOB	837	897/744	-0.3%	-0.6%	-6.0%	0.3%	1.7%	845	855	-1.2%	845	-35	-4.0%	822
Ethylene, Far East CFR SE Asia \$/MT	1,448	1,465/1,215	-0.2%	0.9%	1.6%	3.4%	5.3%	1,440	1,427	0.9%	1,440	40	2.9%	1,320
Propylene (C), Spot CFR F/E US/MT	1,398	1,503/1,280	-2.1%	-4.4%	-6.7%	-3.5%	6.7%	1,465	1,472	-0.4%	1,465	119	8.9%	1,370
Polye HDPE Inj, South East Asia US/MT	1,540	1,570/1,425	0.0%	0.7%	0.3%	2.0%	5.5%	1,548	1,530	1.2%	1,548	73	4.9%	1,440
Polye LDPE-Film, Spot S.E Asia US/MT	1,600	1,680/1,420	0.0%	-0.6%	-4.8%	-2.7%	8.1%	1,643	1,664	-1.3%	1,643	183	12.5%	1,490
Polye LLDPE Film, F/E Spot SE Asia \$/MT	1,550	1,585/1,410	0.0%	1.3%	-1.3%	2.0%	5.4%	1,563	1,546	1.1%	1,563	84	5.7%	1,480
PP Film, Spot South East Asia US/MT	1,550	1,570/1,440	-0.6%	-0.6%	-0.3%	0.6%	3.3%	1,563	1,539	1.5%	1,563	25	1.6%	1,490
Related stocks			PTTGC (Neutral) IRPC (-) SCC (Neutral) TPIPL (+)											
Para-Xylene CFR Chin M. Por Spot \$/MT	1,173	1,515/1,143	2.6%	-7.9%	-18.1%	-21.0%	-20.8%	1,290	1,432	-9.9%	1,290	-355	-21.6%	1,390
Benzene, Far East CFR Spot F/E US/MT	1,235	1,368/1,218	1.2%	-5.0%	-8.7%	-6.6%	-5.7%	1,310	1,298	0.9%	1,310	-97	-6.9%	1,220
Related stocks			PTTGC (+) TOP (+) ESSO (+)											
MEG, Far East Spot CFR F/E US/MT	917	1,124/905	0.1%	-2.4%	-11.4%	-13.7%	-10.8%	969	1,043	-7.1%	969	-169	-14.9%	1,040
PTA CFR South East Asia	880	1,125/865	1.7%	-4.9%	-11.6%	-17.4%	-19.6%	937	1,009	-7.1%	937	-228	-19.5%	1,050
PET (Fibre Grade)A/P Spot CFR NEA \$/MT	1,220	1,420/1,220	-0.4%	-3.9%	-6.2%	-12.9%	-15.6%	1,271	1,330	-4.5%	1,271	-251	-16.5%	n.a.
Related stocks			PTTGC (Neutral) IVL (-)											
ABS Asia Pac. India Spot CFR US/MT	1,880	1,955/1,870	0.3%	-0.8%	-0.8%	-3.6%	-4.3%	1,887	1,904	-0.9%	1,887	-141	-7.0%	n.a.
Polystyrene-GP, Spot Hong Kong US/MT	1,745	1,915/1,740	0.3%	-1.4%	-3.1%	-8.6%	-3.9%	1,780	1,817	-2.0%	1,780	-88	-4.7%	n.a.
Related stocks			IRPC (-)											
PVC, Spot South East Asia US/MT	1,050	1,070/950	0.0%	-1.9%	4.0%	2.9%	0.5%	1,041	1,003	3.8%	1,041	-10	-0.9%	1,030
Related stocks			VNT (+) TPC (Neutral)											
Product spread														
Ethylene - naphtha	611	626/424	0.0%	3.0%	14.3%	8.0%	10.6%	595	572	3.9%	595	76	14.5%	498
Propylene - naphtha	561	665/497	-4.7%	-9.7%	-7.6%	-8.5%	15.1%	621	617	0.6%	621	154	33.1%	548
HDPE - naphtha	703	735/615	0.3%	2.2%	9.1%	4.1%	10.4%	704	675	4.3%	704	108	18.0%	618
LDPE - naphtha	763	851/637	0.3%	-0.6%	-3.3%	-5.8%	16.2%	799	809	-1.3%	799	218	37.5%	668
LDPE - Ethylene	153	323/110	1.7%	-12.9%	-40.2%	-37.8%	45.2%	204	237	-14.0%	204	143	232.7%	170
LLDPE - naphtha	713	750/627	0.3%	3.6%	5.0%	4.0%	10.2%	718	691	3.9%	718	119	19.9%	658
PP - naphtha	713	740/657	-1.1%	-0.7%	7.3%	1.1%	5.4%	718	684	5.0%	718	60	9.1%	668
PX - naphtha	336	739/304	10.6%	-22.0%	-37.9%	-48.3%	-48.9%	445	577	-22.9%	445	-320	-41.8%	568
BZ - naphtha	398	594/381	4.5%	-13.1%	-13.8%	-18.4%	-18.2%	466	443	5.1%	466	-61	-11.7%	398
MEG - Ethylene	20	324/2	11.7%	-60.7%	-87.1%	-89.9%	-88.8%	76	158	-51.8%	76	-194	-71.9%	222
PTA - PX	118	155/65	-3.7%	20.4%	82.7%	17.8%	-11.2%	99	78	26.7%	99	3	3.4%	119
PET spread	213	253/128	-7.4%	-3.2%	31.5%	7.7%	-8.1%	201	179	12.4%	201	-14	-6.5%	n.a.
Integrated PET/PTA spread	331	362/211	-6.1%	4.1%	46.1%	11.1%	-9.2%	299	256	16.7%	299	-11	-3.5%	n.a.
ABS spread	1,100	1,272/1,040	-0.1%	1.8%	-2.1%	-9.0%	-1.2%	1,086	1,169	-7.1%	1,086	-70	-6.0%	n.a.
PS spread	350	565/303	-1.7%	7.0%	9.8%	-23.9%	-8.3%	328	378	-13.2%	328	-24	-6.8%	n.a.
PVC - ethylene	326	398/258	0.4%	-7.4%	9.7%	2.0%	-8.7%	321	289	11.1%	321	-30	-8.5%	370

Source: Datastream, SCBS Investment Research

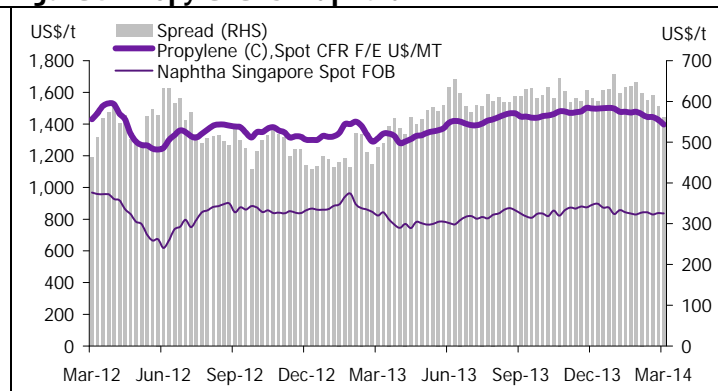
Note: Impact to related stocks is based on WoW performance

Tel: (662) 949-1000
 Fax: (662) 949-1030
 www.scb.co.th

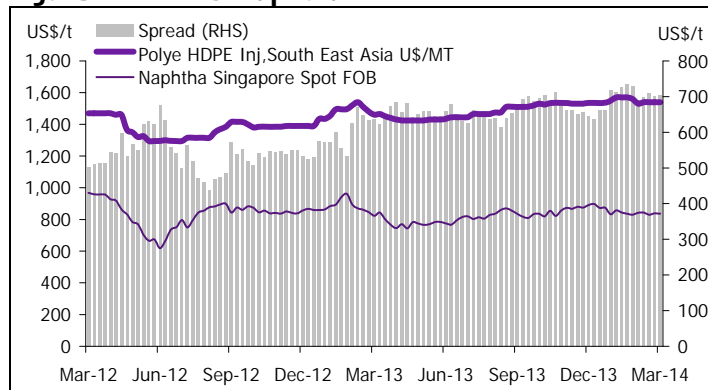
The information in this report has been obtained from sources believed to be reliable. However, its accuracy or completeness is not guaranteed. Any opinions expressed herein reflect our judgment at this date and are subject to change without notice. This report is for information only. It is not to be construed as an offer, or solicitation of an offer to sell or buy any securities. We accept no liability for any loss arising from the use of this document. We or our associates may have an interest in the companies mentioned therein.

Figure 2: Ethylene vs. Naphtha

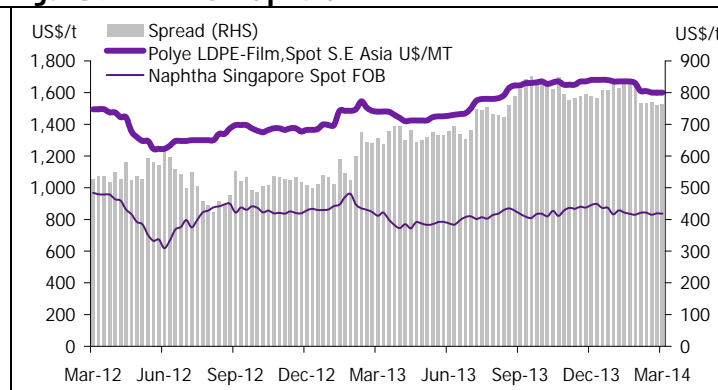
Source: Datastream, SCBS Investment Research

Figure 3: Propylene vs. Naphtha

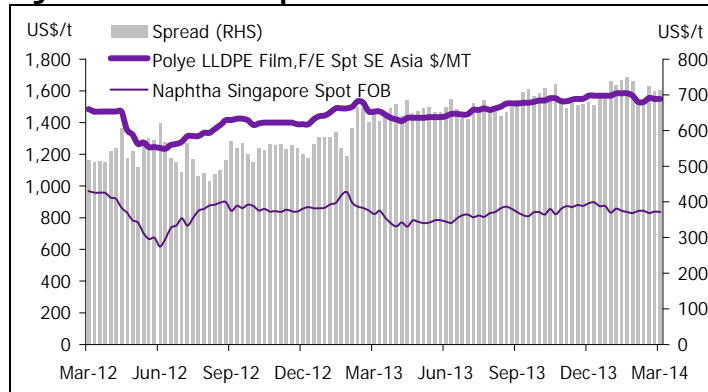
Source: Datastream, SCBS Investment Research

Figure 4: HDPE vs. Naphtha

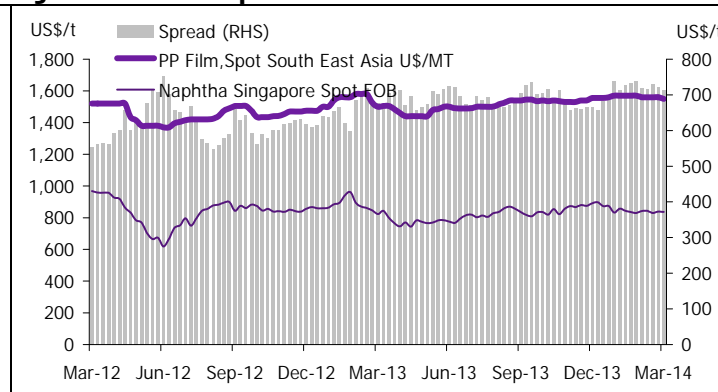
Source: Datastream, SCBS Investment Research

Figure 5: LDPE vs. Naphtha

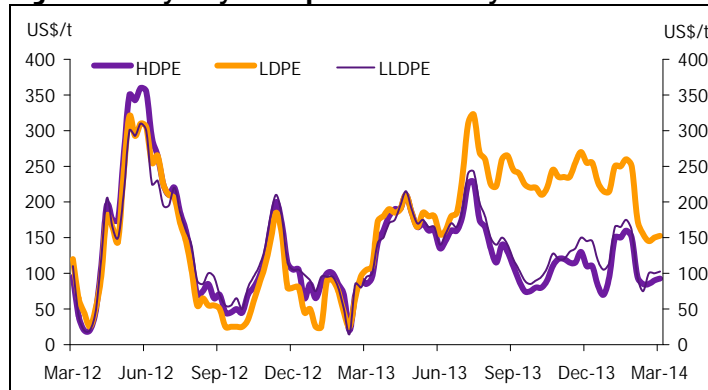
Source: Datastream, SCBS Investment Research

Figure 6: LLDPE vs. Naphtha

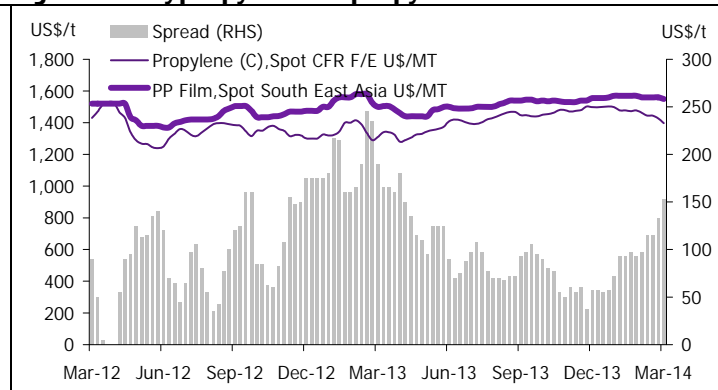
Source: Datastream, SCBS Investment Research

Figure 7: PP vs. Naphtha

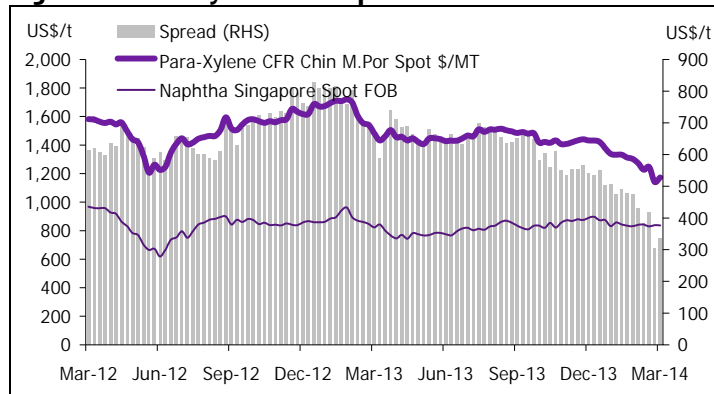
Source: Datastream, SCBS Investment Research

Figure 8: Polyethylene spread over ethylene

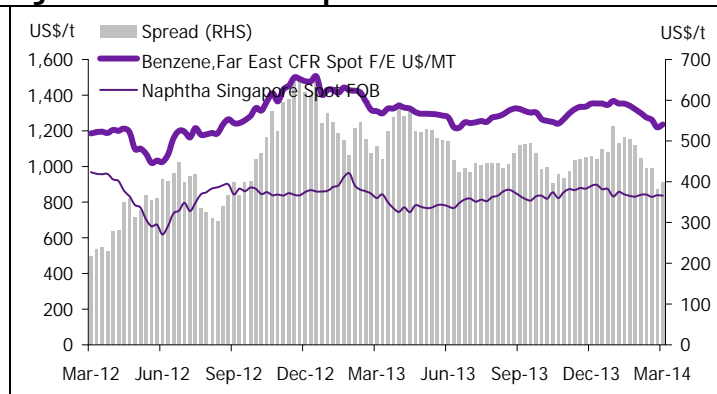
Source: Datastream, SCBS Investment Research

Figure 9: Polypropylene vs. propylene

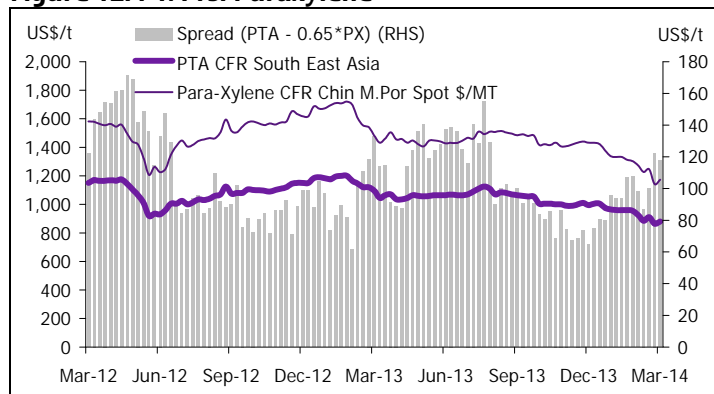
Source: Datastream, SCBS Investment Research

Figure 10: Paraxylene vs. Naphtha

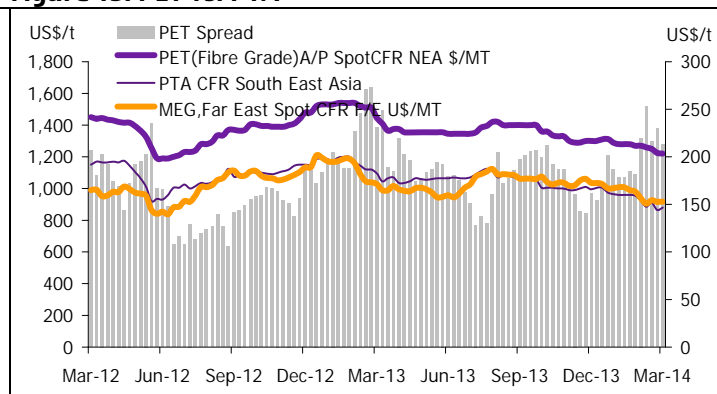
Source: Datastream, SCBS Investment Research

Figure 11: Benzene vs. Naphtha

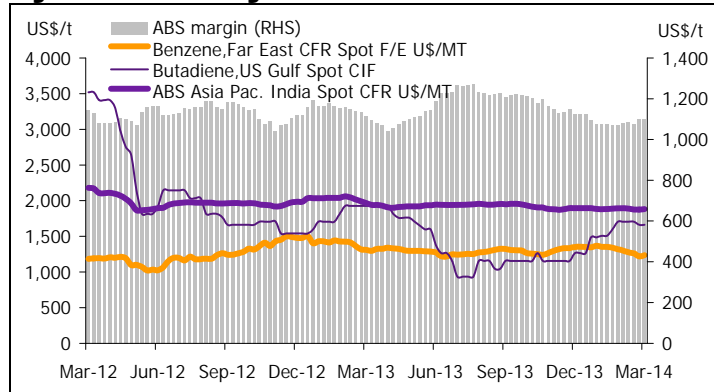
Source: Datastream, SCBS Investment Research

Figure 12: PTA vs. Paraxylene

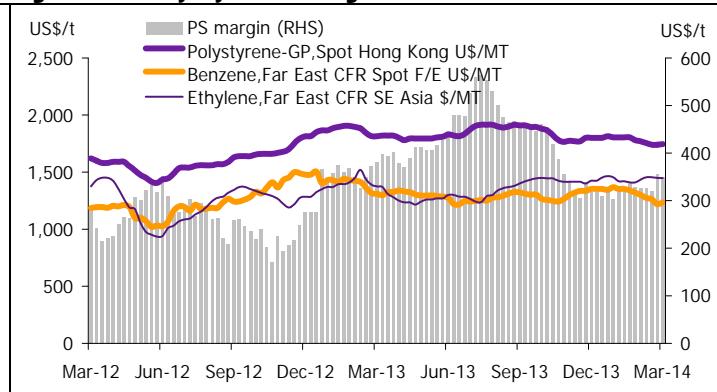
Source: Datastream, SCBS Investment Research

Figure 13: PET vs. PTA

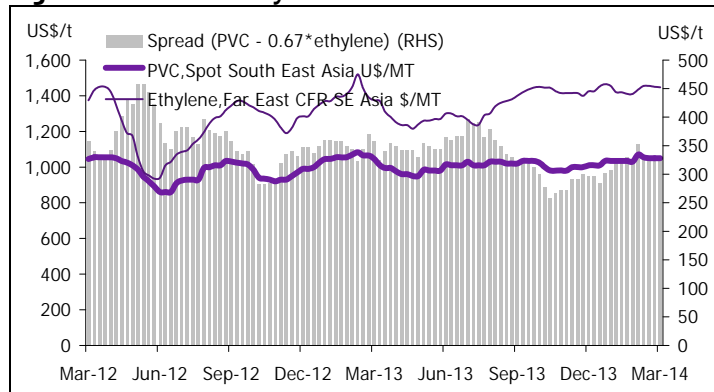
Source: Datastream, SCBS Investment Research

Figure 14: ABS margin

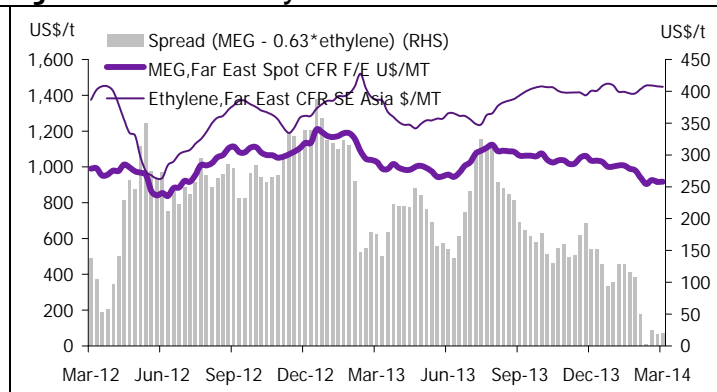
Source: Datastream, SCBS Investment Research

Figure 15: Polystyrene margin

Source: Datastream, SCBS Investment Research

Figure 16: PVC vs. ethylene

Source: Datastream, SCBS Investment Research

Figure 17: MEG vs. ethylene

Source: Datastream, SCBS Investment Research

Figure 18: Selected product price/spread of listed companies

Company	Key products	% of total	Product price/spread	1Q14 QTD	4Q13	QoQ%	YTD	12MMA	2014F projection	Momentum
PTTGC	Ethylene/Propylene	21%	Ethylene, Far East CFR SE Asia \$/MT	1,440	1,427	1%	1,440	1,361	1,320	↗
			Propylene (C), Spot CFR F/E US/MT	1,465	1,472	0%	1,465	1,425	1,370	↘
	HDPE	19%	Polye HDPE Inj, South East Asia US/MT	1,548	1,530	1%	1,548	1,495	1,440	↗
	LLDPE	7%	Polye LLDPE Film, F/E Spt SE Asia \$/MT	1,563	1,546	1%	1,563	1,506	1,480	→
	LDPE	4%	Polye LDPE-Film, Spot S.E Asia US/MT	1,643	1,664	-1%	1,643	1,577	1,490	↘
	MEG	6%	MEG, Far East Spot CFR F/E US/MT	969	1,043	-7%	969	1,015	1,040	↘
	PX	28%	PX - naphtha	445	577	-23%	445	591	568	↘
	BZ	15%	BZ - naphtha	466	443	5%	466	471	398	↘
IRPC	Ethylene/Propylene	15%	Ethylene - naphtha	595	572	4%	595	537	498	↗
			Propylene - naphtha	621	617	1%	621	601	548	↘
	HDPE	12%	HDPE - naphtha	704	675	4%	704	670	618	↗
	PP	28%	PP - naphtha	718	684	5%	718	696	668	→
	ABS	7%	ABS spread	1,086	1,169	-7%	1,086	1,151	n.a.	→
	BTX	23%	BZ - naphtha	466	443	5%	466	471	398	↘
	PS	12%	PS spread	328	378	-13%	328	406	n.a.	↗
SCC	HDPE	40%	HDPE - naphtha	704	675	4%	704	670	618	↗
	LDPE	3%	LDPE - naphtha	799	809	-1%	799	752	668	↘
	LLDPE	3%	LLDPE - naphtha	718	691	4%	718	681	658	↗
	PP	25%	PP - naphtha	718	684	5%	718	696	668	→
	PVC	28%	PVC - Ethylene/EDC	425	521	-18%	425	457	n.a.	↘
TPIPL	LDPE	60%	LDPE - Ethylene	204	237	-14%	204	215	170	↘
TOP	PX	60%	PX - naphtha	445	577	-23%	445	591	568	↘
	BZ	21%	BZ - naphtha	466	443	5%	466	471	398	↘
IVL	PTA	25%	PTA - PX	99	78	27%	99	103	119	↗
	PET/Polyester	67%	PET spread	201	179	12%	201	185	n.a.	→
	MEG	8%								
VNT	PVC	63%	PVC - ethylene	321	289	11%	321	330	370	↘
TPC	PVC	100%	PVC - Ethylene/EDC	425	521	-18%	425	457	n.a.	↘

Source: Datastream, SCBS Investment Research

Disclaimer:

SCB SECURITIES COMPANY LIMITED ("SCBS") ACTS AS MARKET MAKER AND ISSUER OF DERIVATIVE WARRANTS on the ordinary shares of ADVANC, AOT, BANPU, BAY, BBL, BCP, BEC, BGH, BJC, BLA, BTS, CENTEL, CK, CPN, DELTA, DTAC, GLOBAL, HMPRO, INTUCH, IVL, JAS, KBANK, KTB, LH, MINT, PS, PTT, PTTEP, PTTGC, SCC, TCAP, THAI, THCOM, TISCO, TMB, TOP, TRUE, VGI.

Before making an investment decision over a derivative warrant, an investor should carefully read the prospectus for the details of the said derivative warrants. Any opinion, news, research, analyse, price, statement, forecast, projection and/or other information contained in this document (the "Information") is provided as general purpose information only, and shall not be construed as a recommendation to any person of an offer to buy or sell, or the solicitation of an offer to buy or sell, any securities. SCBS and/or its directors, officers, employees, and agents shall not be liable for any direct, indirect, incidental, special or consequential loss or damage, resulting from the use of, or reliance on, the Information, including without limitation, damages for loss of profits. The investor should use the Information in association with other information and opinion, including his/her own judgment in making investment decision. The Information is obtained from sources believed to be reliable, and SCBS cannot guarantee the accuracy, completeness and/or correctness of the Information.

SCBS reserves the right to modify the Information from time to time at its sole discretion without giving any notice. This document is delivered to intended recipient(s) only and is not permitted to reproduce, retransmit, disseminate, sell, distribute, republish, circulate or commercially exploit the Information in any manner without the prior written consent of SCBS.